



Working to Create Michigan's Future Today

# **Unemployment Insurance Agency**

**January 25, 2011**

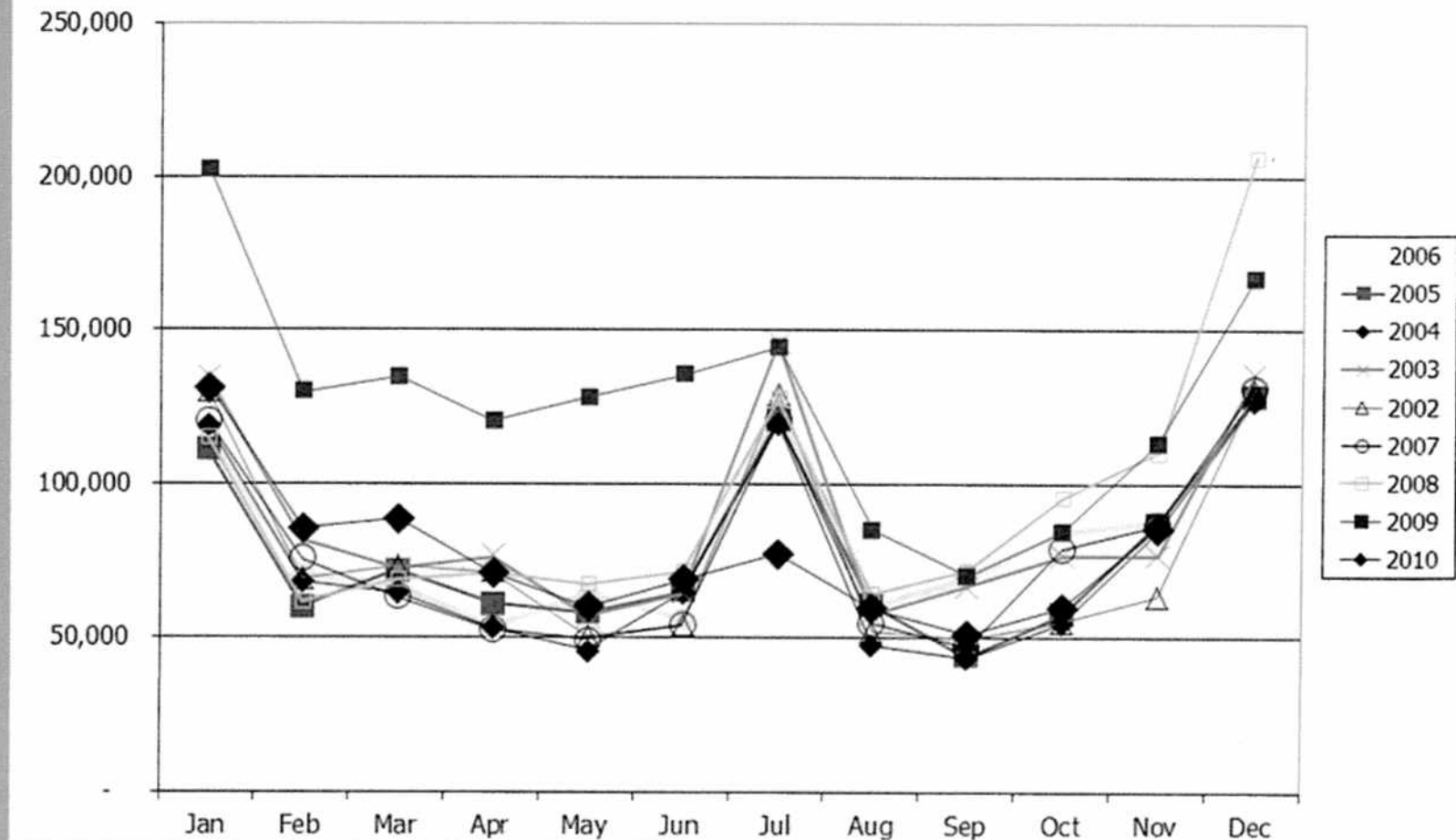
***Working to Create Michigan's Future Today***



Working to Create Michi

## How bad was the Great Recession? Initial Claims

### INITIAL CLAIMS



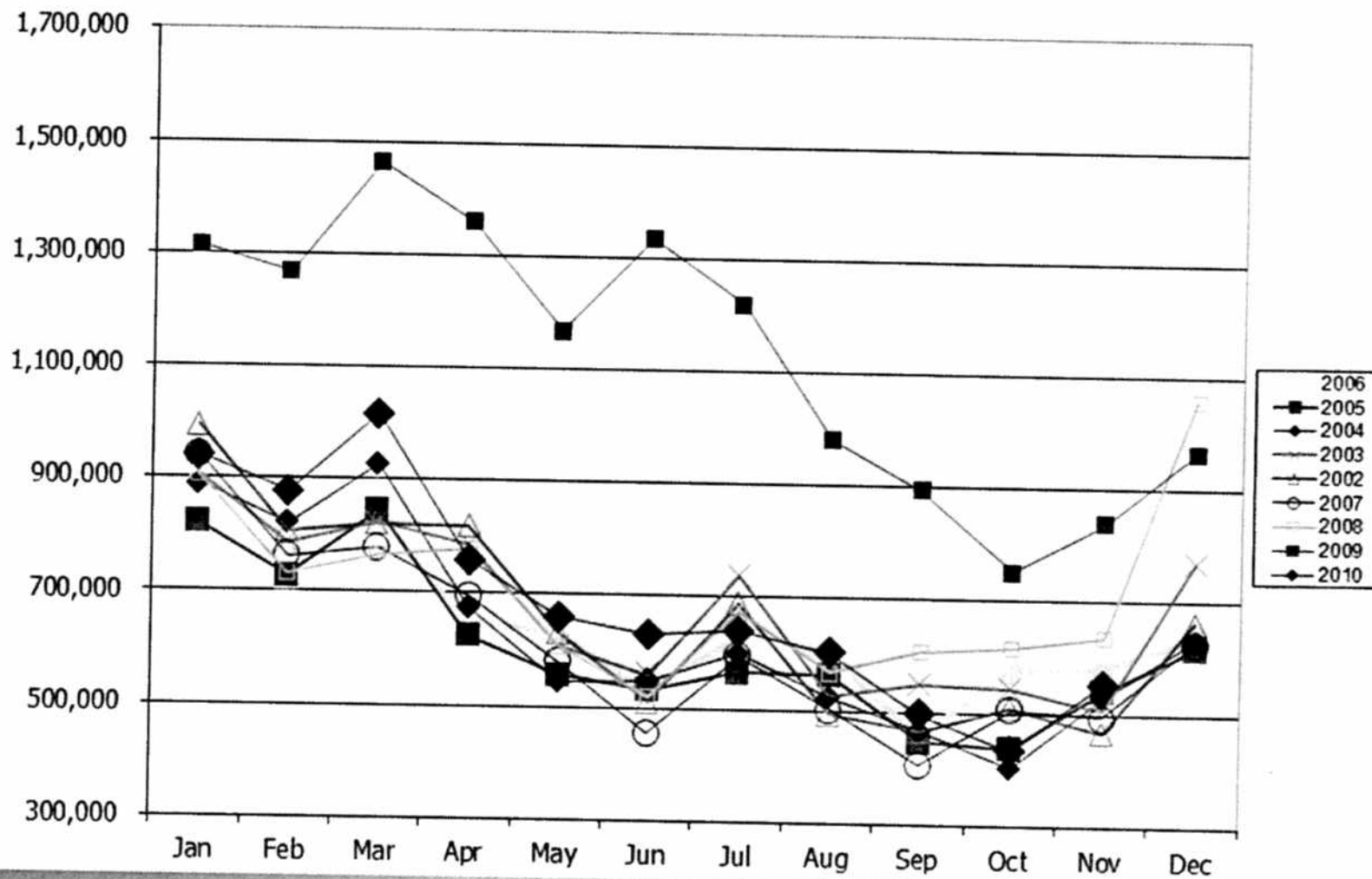
**Working to Create Michigan's Future Today**



Working to Create Michigan

## How bad was it? Continued Claims

*CONTINUED WEEKS*



***Working to Create Michigan's Future Today***



Working to Create Michigan's Future Today

# Claims Data

	<u>2008</u>	<u>2009</u>	<u>2010</u>
• Regular UI Claims	1,132,684	1,515,347	839,599
– Regular UI, Continued Claims	8,471,775	13,557,952	10,456,956
• EUC Claims	170,822	809,406	373,553
– EUC, Continued Claims	1,849,752	8,182,793	10,163,807
• EB Claims	N/A	111,915	126,009
– EB, Continued Claims	N/A	1,681,223	1,559,742

**Working to Create Michigan's Future Today**





## Traditional Customer Service Channels

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Call Centers, Call Answered	2,092,652	3,237,028	2,800,439
• Problem Resolution Offices, Persons Assisted	101,119	339,812	336,390
• Employer Customer Relations, Calls Answered	74,232	72,874	61,614

***Working to Create Michigan's Future Today***



Working to Create Michigan's Future Today

# New and Enhanced Customer Service Channels

	2008	2009	2010
Claims Filed Online (as percentage of total filings)	39% <sup>[1]</sup>	53%	56%
• Claim Portal (total accounts established) <sup>[2]</sup>	31,134	296,941 (Nov. 2009)	500,000
• Employer Web Account Manager (accounts) <sup>[3]</sup>	20,827	24,500	37,600
• MARVIN:			
By Phone	5,160,763	10,460,838	7,262,119
By Internet <sup>[4]</sup>	N/A	1,250,146	2,754,598
• Webinars for workers and employers <sup>[5]</sup>	N/A	68,257 (Launched in June)	91,495
• ViPR <sup>[6]</sup> , Inquiries Received & Answered	N/A	N/A	126,071

<sup>[1]</sup> In October 2008, the UIA leveraged the capabilities of its call centers and surveyed unemployed workers with the question, "do you have access to the internet?" The one month sampling produced data from 58% of claimants in the affirmative, foreshadowing actual 2010 data. This data forged the UIA's strategic expansion of online services.

<sup>[2]</sup> The Claim Portal was launched in July 2008 and has been systemically enhanced to offer "value added" services as a strategy to drive more people to the UIA's self-help, online services. Recent enhancements include: MARVIN online, changing benefit payment options, change of address, receipt of 1099G's, and ViPR access. In November 2010, the UIA leveraged the Claim Portal's capabilities to send emails to over 500,000 accounts – for free – to provide extension updates. A mailing of this magnitude would have cost \$200,000.

<sup>[3]</sup> EWAM is the employer-side of the claim portal. Through EWAM, employers can file reports and pay their taxes online. In November 2009, the UIA executed a strategy to increase employer adoption rates. In one years' time the strategy achieved a: (1) near 60% increase in employer accounts; (2) 35% increase in online payments submitted; (3) 37% increase in online tax reports submitted; and (4) 42% net increase in the total dollar amount received through EWAM.

<sup>[4]</sup> MARVIN online was launched in February 2009 and is embedded within the Claim Portal. Rates of adoption increased quickly from date of launch (from 2.4% of all weekly MARVIN certifications) through the end of 2009 (19% of all weekly MARVIN certifications) through 2010 (about 27 ½% of all weekly MARVIN certifications).

<sup>[5]</sup> The UIA launched its webinars in June 2009. At present, there are over 50 webinars for claimants and employers which (1) provide information on salient UI topics; and (2) serve as training modules for the UIA's online services.

<sup>[6]</sup> The Virtual Problem Resolution Team opened in January 2010 and serves as a virtual problem resolution office. The service is embedded within the secure "Claim Portal," thereby protecting the confidentiality and security of personal information. In May 2010, the UIA emailed online surveys to 14,000 recent users where 98% of respondents stated that the feature was easy to use. The UIA earned a national award (NASWA) in September 2010 for this process innovation.

**Working to Create Michigan's Future Today**



Working to Create Michigan's Future Today

## Current Challenges

- 25 year old legacy computer system
  - Constrains agility and affects efficiencies
- \$3.7B in outstanding federal loans
- \$117M in interest due on September 30, 2011:
  - \$45M anticipated through solvency tax
  - \$20M available through the P&I account
  - \$52M = anticipated short fall

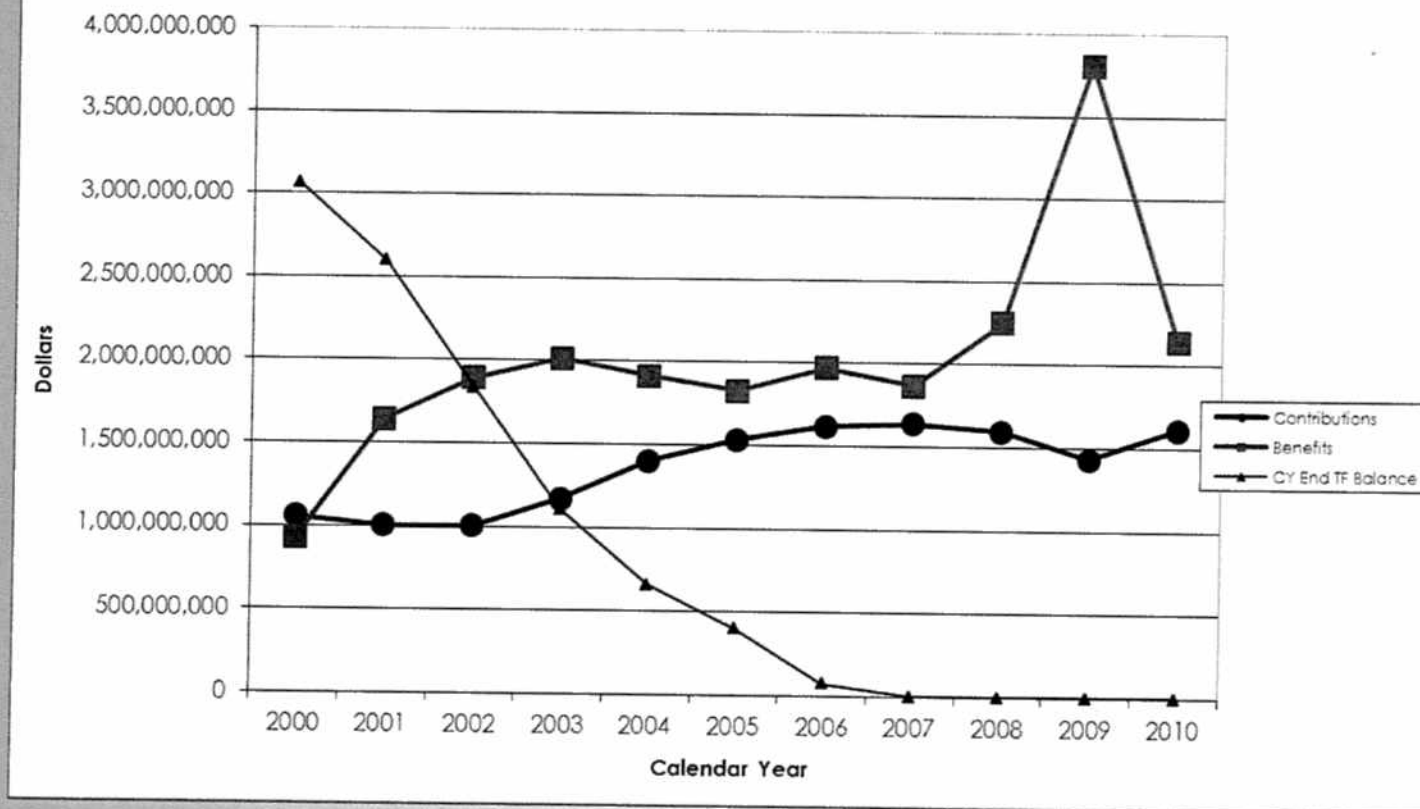
***Working to Create Michigan's Future Today***



Working to Create Michigan's Future Today

# Trust Fund: How we got there . . .

Comparison of Benefits Paid to Contributions Received



Annual UI Rates  
(Michigan/Nat'l Average) 2000 (3.7%/4%) 2001 (5.2%/4.7%) 2002 (6.2%/5.8%) 2003 (7.1%/5.8%) 2004 (7.1%/5.5%) 2005 (6.8%/5.1%) 2006 (6.9%/4.6%) 2007 (7.1%/4.6%) 2008 (8.3%/5.8%) 2009 (13.6%/9.3%) 2010

**Working to Create Michigan's Future Today**





Working to Create Michigan's Future Today

# Effects of Federal Borrowing

## Effects:

### – Repayment of Principal (\$3.8 Billion)

- Reduces the 5.4% FUTA tax credit by .3% each year, resulting in an increase in the effective FUTA tax rate e.g., 2009 (.8%), 2010 (1.1%), 2011 (1.4%) . . . 2015 (2.6%) . . . 2020 (4.1%)
- Applies to contributing employers only (about 200,000 employers)
- Estimated at a 10-year repayment schedule

### – Payment of interest

- Paid by negative-balance employers (NBE) through the assessment of a solvency tax
  - Applies to about 27% of Michigan's employers
  - Solvency tax would cost employers approximately \$67.50 per employee, per year, until interest is paid off
- If solvency collections are not adequate to pay interest when due, the state will need to pay the shortfall. Any state funds used will be repaid when adequate solvency tax is collected.
- MCL 421.10(6) is designed to receive interest, penalties and solvency tax proceeds for the payment of interest on advances from the federal government. Through two public acts in early 2000, \$89 million was diverted from the account.

***Working to Create Michigan's Future Today***



# Demographics of Borrowing

Borrowing States (31), 62% of all states (includes TX which paid its loans through bonds):

- Represent 85% of the national GDP and 85% of the national population
- Average population: 8 million (includes all states with populations over 6.6 million)
- Average unemployment rate (Sept. 2010): 25% *higher* than non-borrowing states
- Michigan's \$9,000 taxable wage base (TWB) is less than half of the average TWB for non-borrowing states (\$21,000)

Non-Borrowing States (19), 38% of all states:

- Represent 15% of the national GDP and 15% of the national population
- Average population: 2.3 million
- Average unemployment rate (Sept. 2010): 25% *lower* than borrowing states
- Average TWB is 2.3 times Michigan's (\$21,000 vs. \$9,000)

***Working to Create Michigan's Future Today***



Working to Create Michigan's Future Today

# New Computer System

## *CURRENT PROBLEM:*

Replaces numerous 25 year-old legacy systems that deliver tax and benefits services to Michigan employers and citizens.

The systems are built on segregated technology that hinder operations at a time when UIA demands efficiency and agility.

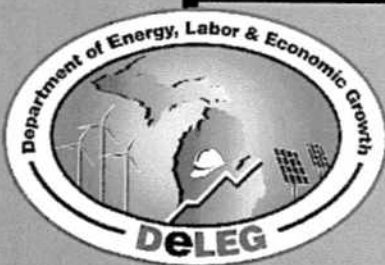
The project will deliver a single, integrated system that will meet UIA's current and future demands.

## *PROJECT VISION:*

To create a modern, integrated tax and benefit system for the Michigan Unemployment Insurance Agency that enhances customer services and effective program management.

***Working to Create Michigan's Future Today***





## New Computer System – Measurable Outcomes

- ❑ Improved Customer Service:
  - Integrated system delivers single portal for employers and citizens
  - Improved and consistent interactions with employers and citizens
  - Ease of use
  - Reduced decisions times, allowing quicker responses to employers and citizens
  - Increased use of electronic communications
  - Strict controls on sensitive data
- ❑ Improved Efficiencies:
  - Reduced time for staff to complete tasks
  - Improved federal quality measurement standards
  - Decreased number of appeals
  - Decreased number of calls and complaints
  - Improved efficiency leads to increased federal administrative funding
  - Improved fraud detection and recovery efforts
  - Improved program management and quality
- ❑ All federally funded and allocated

***Working to Create Michigan's Future Today***